Attachment 2

Global Framework for Climate Risk Disclosure

While each sector and company may differ in its approach to disclosure, the most successful corporate climate risk disclosure will be transparent and make clear the key assumptions and methods used to develop it. Companies should directly engage investors and securities analysts in disclosing climate risk through both written documents and discussions.

Investors expect climate risk disclosure to allow them to analyze a company's risks and opportunities and strongly encourage that the disclosure include the following elements:

1. **Emissions – As an important first step in addressing climate risk, companies should disclose their total greenhouse gas emissions. Investors can use this emissions data to help approximate the risk companies may face from future climate change regulations.**

   Specifically, investors strongly encourage companies to disclose:

   - Actual historical direct and indirect emissions since 1990;
   - Current direct and indirect emissions; and
   - Estimated future direct and indirect emissions of greenhouse gases from their operations, purchased electricity, and products/services.[1]

   Investors strongly encourage companies to report absolute emissions using the most widely agreed upon international accounting standard – Corporate Accounting and Reporting Standard (revised edition) of the Greenhouse Gas Protocol, developed by the World Business Council for Sustainable Development and the World Resources Institute.[2] If companies use a different accounting standard, they should specify the standard and the rationale for using it.

2. **Strategic Analysis of Climate Risk and Emissions Management – Investors are looking for analysis that identifies companies' future challenges and opportunities associated with climate change. Investors therefore seek management's strategic analysis of climate risk, including a clear and straightforward statement about implications for competitiveness. Where relevant, the following issues should also be addressed: access to resources, the timeframe that applies to the risk and the firm's plan for meeting any strategic challenges posed by climate risk.**

   Specifically, investors urge companies to disclose a strategic analysis that includes:

   - **Climate Change Statement** – A statement of the company's current position on climate change, its responsibility to address climate change, and its engagement with governments and advocacy organizations to affect climate change policy.

[1] These emissions disclosures correspond with the three "scopes" identified in the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition) developed by the World Business Council for Sustainable Development and the World Resources Institute. Scope 1 includes a company's direct greenhouse gas emissions; Scope 2 includes emissions associated with the generation of electricity, heating/cooling, or steam purchased for a company's own consumption; and Scope 3 includes indirect emissions not covered by Scope 2. More information is available at http://www.ghgprotocol.org

[2] Available at http://www.ghgprotocol.org

- **Emissions Management** – Explanation of all significant actions the company is taking to minimize its climate risk and to identify opportunities. Specifically, this should include the actions the company is taking to reduce, offset, or limit greenhouse gas emissions. Actions could include establishment of emissions reduction targets, participation in emissions trading schemes, investment in clean energy technologies, and development and design of new products. Descriptions of greenhouse gas reduction activities and mitigation projects should include estimated emission reductions and timelines.

- **Corporate Governance of Climate Change** – A description of the company's corporate governance actions, including whether the Board has been engaged on climate change and the executives in charge of addressing climate risk. In addition, companies should disclose whether executive compensation is tied to meeting corporate climate objectives, and if so, a description of how they are linked.

3. **Assessment of Physical Risks of Climate Change – Climate change is beginning to cause an array of physical effects, many of which can have significant implications for companies and their investors. To help investors analyze these risks, investors encourage companies to analyze and disclose material, physical effects that climate change may have on the company's business and its operations, including their supply chain.**

Specifically, investors urge companies to begin by disclosing how climate and weather generally affect their business and its operations, including their supply chain. These effects may include the impact of changed weather patterns, such as increased number and intensity of storms; sea-level rise; water availability and other hydrological effects; changes in temperature; and impacts of health effects, such as heat-related illness or disease, on their workforce. After identifying these risk exposures, companies should describe how they could adapt to the physical risks of climate change and estimate the potential costs of adaptation.

4. **Analysis of Regulatory Risks – As governments begin to address climate change by adopting new regulations that limit greenhouse gas emissions, companies with direct or indirect emissions may face regulatory risks that could have significant implications. Investors seek to understand these risks and to assess the potential financial impacts of climate change regulations on the company.**

Specifically, investors strongly urge companies to disclose:

- Any known trends, events, demands, commitments, and uncertainties stemming from climate change that are reasonably likely to have a material effect on financial condition or operating performance. This analysis should include consideration of secondary effects of regulation such as increased energy and transportation costs. The analysis should incorporate the possibility that consumer demand may shift sharply due to changes in domestic and international energy markets.

- A list of all greenhouse gas regulations that have been imposed in the countries in which the company operates and an assessment of the potential financial impact of those rules.

- The company's expectations concerning the future cost of carbon resulting from emissions reductions of five, ten, and twenty percent below 2000 levels by 2015. Alternatively, companies could analyze and quantify the effect on the firm and shareowner value of a limited number of plausible greenhouse gas regulatory scenarios. These scenarios should include plausible greenhouse gas regulations that are under discussion by governments in countries where they operate. Companies should use the approach that provides the most meaningful disclosure, while also applying, where possible, a common analytic framework in order to facilitate comparative analyses across companies. Companies should clearly state the methods and assumptions used in their analyses for either alternative.

Ceres 14-Point Climate Change Governance Checklist

Board Oversight

1. **Board is actively engaged in climate change policy and has assigned oversight responsibility to board member, board committee or full board.**

Management Execution

2. **Chairman/CEO assumes leadership role in articulating and executing climate change policy.**
3. **Top executives and/or executive committees assigned to manage climate change response strategies.**
4. **Climate change initiatives are integrated into risk management and mainstream business activities.**
5. **Executive officers' compensation is linked to attainment of environmental goals and GHG targets.**

Public Disclosure

6. **Securities filings disclose material risks and opportunities posed by climate change.**
7. **Public communications offer comprehensive, transparent presentation of response measures.**

Emissions Accounting

8. **Company calculates and registers GHG emissions savings and offsets from operations.**
9. **Company conducts annual inventory of GHG emissions and publicly reports results.**
10. **Company has an emissions baseline by which to gauge future GHG emissions trends.**
11. **Company has third-party verification process for GHG emissions data.**

Strategic Planning

12. **Company sets absolute GHG emission reduction targets for facilities, energy use, business travel and other operations (including direct emissions.)**
13. **Company participates in GHG emissions trading programs – up to 30.**
14. **Company pursues business strategies to reduce GHG emissions, minimize exposure to regulatory and physical risks, and maximize opportunities from changing market forces and emerging controls.**